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WORKSHOP ON

IMPACTS OF TRADE, STRUCTURAL ADJUSTMENT AND ECONOMIC POLICIES
ON DESERTIFICATION IN AFRICA

NAIROBI AND LAKE NAKURU, KENYA
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REPORT

by

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I. Background

At the United Nations Conference on Environment and Development (UNCED) in June 1992, African countries successfully pushed for a global Convention on Desertification and Drought. The Convention is currently being negotiated for likely signature by September 1994. African countries have a particular stake in making the Convention a success and in influencing its outcome.

In response to this challenge, in 1993 the International Development Research Centre (IDRC) launched an initiative aimed at enhancing African capacity to negotiate and implement more effectively. A major component of this initiative is to assess existing knowledge and available evidence on key issues of relevance to desertification in Africa. For each selected theme, review papers for different sub-regions of Africa were commissioned, to be presented and discussed at Pan-African workshops. The objective is to inform African government negotiators, NGOs and other stake holders.

Two workshops were held earlier this year. The first took place 3-5 January 1994 in Cairo and dealt with issues of Indigenous Knowledge and Traditional Coping Strategies. The second, held 7-9 March in Dakar, focussed on questions of Land and Natural Resource Tenure, Ownership and Access.

This report highlights the outcome of the deliberations at the third and last workshop on The Impacts of Trade, Structural Adjustment and Economic Policies on Desertification in Africa.

The objectives of the workshop were to:

- * review the issues and existing knowledge;
- * identify gaps in understanding and priorities for further research;
- * provide inputs into the Convention process; and
- * inform stake holders.

The workshop was attended by 35 participants from 17 countries. A larger number of Kenyan participants came to the opening session in Nairobi. Eight review papers, on general or region-specific issues relating to the theme, were presented and discussed. NGOs, regional organizations and international institutions also addressed the workshop. This report synthesizes issues, conclusions and recommendations that emerged from the deliberations. Summaries of all presentations are provided in a companion report.

II. Introduction: Some Issues

Recent years have witnessed widespread land degradation in Africa's drylands as a result of human action and climatic factors. Symptoms include deforestation, soil erosion, the loss of economic productivity and ecological resilience of land. While there is agreement that such desertification has been increasingly occurring on the continent, opinions differ as to the precise magnitude of the problem (extent and rate of desertification and socio-economic ramifications) and what are the main driving forces, and their relative importance, behind this phenomenon.

There is little doubt, however, that economic factors and mechanisms at international, national and sub-national levels, have contributed to land and resource degradation in Africa. Foreign debt obligations, international trade patterns, economic policies in Western industrial countries, and structural adjustment programs being implemented in African countries, taken together, appear to have compounded the desertification problem.

African countries are suffering from massive international indebtedness. Mounting debt service requirements and at the same time declining terms of trade, have forced African countries to expand exports based on agricultural commodities in order to generate the necessary foreign exchange. The coincidence between indebtedness and export dependence in primary products is now quite striking in Africa. Locked into the role of natural resource exporter, most African countries have not been able to diversify their economic base.

There have been large net capital outflows from Africa to debtor countries in recent years, as per capita income growth has stagnated or declined and foreign investment and aid have lagged far behind debt payments. Food production and the creation of employment opportunities have not kept pace with continued rapid population growth, particularly in poorer rural areas. This situation has made it difficult for Africa to sustain the viability of its economies, the livelihoods of its people, and the integrity of its natural resource base and environment.

Structural Adjustment Programs (SAPs) have become ubiquitous in Africa as a precondition for further aid. SAPs are designed to correct internal and external macro-economic imbalances and to improve the efficiency of resource allocation and productive activity in national economies. Another objective has been to allow African countries to meet their debt service obligations. SAPs advocate market mechanisms to achieve efficiency improvements on the supply side of the economy. SAPs do not integrate considerations of environment or social equity.

To date, the environmental effects of SAPS have not received much attention. Limited assessment and experience suggests that such effects can be positive or negative, depending on particular socioeconomic and ecological conditions. However, in the case of low-income countries in Africa, particularly in ecologically fragile areas, there are indications that point to a range of net negative environmental impacts. Potential positive environmental effects from efficiency gains and from changes in vegetation cover (e.g. reductions in land erosion from planting tree crops such as coffee and tea) may be offset by environmental costs and the negative implications of regressive social impacts.

Moreover, by emphasizing reductions in government expenditures and services in order to balance budgets, SAPs have generally not been conducive to improving environmental standards and their effective enforcement. The state does have an important role to play, and its capacity must be enhanced, to correct the failure of markets to reflect environmental costs in (deregulated) prices and to integrate environmental and socioeconomic processes that are external to the market.

Trade liberalization is an important component of SAPS and international economic policies. Trade liberalization does not directly address negative environmental impacts (in the drylands) because they are external to the market. However, trade liberalization does affect production patterns and incomes and therefore has an indirect effect on the environment.

In recent years in Africa (barter) terms of trade have declined faster than export volumes have risen. As a result, average export incomes have fallen. There are strong indications that while trade liberalization may have benefitted some groups (especially groups with easier access to markets, credit and other resources), it has tended to lower incomes, especially among poorer populations. In dryland areas, this has facilitated the degradation of land and natural resources.

Massive agricultural and livestock subsidies in Europe and North America are distorting world food markets. Exports by subsidized Northern agribusiness to Africa are undercutting price incentives for agricultural and livestock producers in Africa. At the same time, continued protectionism on the part of industrial countries, by way of non-tariff barriers to imports as well as subsidies to domestic producers, have constrained Africa's access to Northern markets.

Land and natural resources in local African economies are fast becoming market commodities, as the national and global cash economy penetrates into previously traditional areas. Throughout Africa, the process of commercialization of local marketing, trade and natural resource based livelihood systems and their increasing dependence on distant economic forces are

destabilizing traditional social support and risk sharing mechanisms and bringing about strong social stratification and rapid cultural change. At the same time, land tenure and resource property rights systems are moving away from communally based arrangements toward systems centered on individual private property, even in the drylands.

These processes of local change must induce suitable adaptations of social and institutional mechanisms embedded in local resource use and management systems, if current widespread land and resource degradation in Africa's drylands is to be arrested and reversed. This, in turn, will require the creation of an enabling environment and the coordination and harmonization of economic, social and environmental policies.

III. Conclusions and Recommendations

(A) NEED FOR MULTI-DISCIPLINARY APPROACH TO ANALYSIS AND POLICY

(1) Little detailed empirical information exists on the impact of economic factors and policy on desertification in Africa. More research is urgently needed (see list of recommended research topics in section IV below). Analysis of the impact of economic factors and policy on desertification in Africa is a complex multi-disciplinary task that requires inputs from various social sciences, different bio-physical and natural sciences, ecology and economics. Notwithstanding the difficulties involved in facing up to this task, it is necessary to go beyond mere diagnosis of the problem. The real challenge and need is to develop, test, use and adapt suitable (economic) policy instruments and institutional mechanisms to deal with the problem. This, too, must be a multi-disciplinary endeavour.

(B) VALUATION OF RESOURCES, APPROPRIATE NATIONAL ECONOMIC ENVIRONMENT, AND HARMONIZATION OF NATIONAL POLICIES

(2) The cost of environmental resources to their users should reflect their true cost to society, and economic incentives should be devised to ensure that this is so. Incentives also need to be provided for the investment of private and public capital into land and resource conservation. The specific type of incentives should be negotiated with rural populations and other stake holders. Appropriate institutional mechanisms should facilitate this.

(3) One of the main reasons why SAPs have advocated price and trade liberalization is to raise agricultural producer prices, increase rural incomes, and begin to level lopsided rural-urban terms of trade and relative incomes. However, experience over the past decade in Africa (and elsewhere) has shown that while short-term producer prices may have increased, the long-term trend in agricultural commodity prices has been consistently downward over the past decades. Moreover, prices have become both more variable and more positively correlated (moving together) so that price risks have increased and the value of diversification within agriculture has been reduced. The environmental (and social) implications of price instability in Africa, in particular in arid and semi-arid areas, should be examined.

(4) There is considerable evidence now that the supply response to (short-term) producer price increases has generally been much weaker than expected, particularly among the smaller producers. Reasons include: lack of infrastructure; lack of access to information, inputs and land among would-be producers; actual and perceived price risks and uncertainties on the part of farmers and their pre-occupation with ensuring household food security through greater food self-sufficiency; dependence on intermediaries in marketing produce; and squeezed margins of profit and revenue because of decontrolled (rising) input prices (e.g. fertilizer). In some areas, these factors have combined to produce a "perverse" supply response (reduced cash crop output). The environmental and social repercussions of this (dynamic) situation need to be assessed, with particular attention to ecologically fragile areas.

(5) In rural areas that are susceptible to desertification, population growth and the demand for employment has tended to be high. Since farming and pastoral land use is of necessity extensive, there is a great need for off-farm job opportunities. It is necessary to promote small-scale rural enterprise development to increase local value added, absorb (part of) the rapidly growing labour force, and slow urban migration.

(6) Rising volumes of agricultural and livestock exports from Africa in recent years have exerted pressure on the local natural resource base and brought about land use changes. Available aggregate country-level figures suggest that in a number of African countries increases in agricultural and livestock output and exports have been achieved primarily by putting the existing agro-ecosystems under greater pressure, without much change to land use practices and technology. This picture seems consistent with situations where existing large-scale monoculture schemes for export have been reducing soil fertility and agro-ecosystem resilience (e.g. groundnut cultivation in Senegal), or where large-scale livestock production for export has contributed to overstocking and rangeland degradation (e.g. Botswana).

(7) Local evidence and experience from other situations (e.g. Kenya and Tanzania) indicates that increasing exports of agricultural commodities (along with other factors such as land tenure changes and population growth) have contributed to new land at the extensive margin being brought under cultivation. Processes have included the establishment of commercial cash crop ventures on the more fertile land, displacement and migration of small-scale local cultivators into more marginal and desertification-prone areas where they may encroach on pastoral rangelands, and perhaps diversification of the pastoral economies themselves. While cultivation of marginally productive land is often not sustainable, the viability of existing pastoral economies is undermined through appropriation by outside interests of particular land and natural resources that are key to the sustainability of the pastoral land use systems. The result is often degradation of both cultivated areas and the larger adjacent pastoral lands.

(8) There is a need for more detailed information and a deeper understanding of local-level land use changes resulting from expanded crop and livestock production for export or import substitution, and of associated local processes of displacement and migration of people. Improved information and understanding will allow economic, social and environmental policies to be adapted and harmonized, to control and reverse land degradation.

(9) At the national level, it is necessary to create an enabling environment to facilitate more sustainable resource use in the drylands. This will require, among other things: appropriate economic policies that are harmonized with social and environmental policies, including National Environmental Action Plans; flexible structural adjustment approaches that are continually adapted to changing local conditions; and marketing structures and policies that enhance local rural marketing possibilities, provide greater access to larger-scale markets, and improve (or at least not affect negatively) the terms of trade between local communities and these markets on the one hand and between rural and urban areas on the other.

(C) APPROPRIATE ROLE OF GOVERNMENT AND CIVIL SOCIETY, AND INSTITUTIONAL STRUCTURES

(10) Markets are social institutions which are shaped and regulated by the interests and relative political power and influence of various social actors and groups. European history shows that effective political organization of the peasantry was a necessary condition for the internalization of land rents and the cost of access to and maintenance of resources in market prices of agricultural and livestock commodities. A lesson for Africa is that without the empowerment and effective institutionalization and political representation of peasants and

small land users, and a stronger civil society in general, it will be difficult to have market prices that are both fair and internalize environmental and natural resource costs.

(11) Whereas SAPs advocate a reduced role of the state, it is recognized that the capacity of the state should be strengthened to play an appropriate role. This includes creating an enabling policy environment that is conducive to correcting market failure, e.g. the internalization of environmental and social costs in market prices. In fact, the state and the market have complementary roles here. At the same time, strong community organizations and a strong and diversified civil society are called for. One essential role for the state is as a provider and maintainer of public goods, e.g. biodiversity, clean water, and the assimilative capacity of the natural environment.

(12) Recognizing the necessity to involve grassroots communities in actions aimed at managing drought, controlling desertification and promoting income diversification, it is important that governmental and non-governmental organizations create the necessary conditions (including a conducive economic policy environment) for their participation through design and implementation of community mobilization, participatory communication and open bottom-up processes. Special attention should be paid to populations at risk, especially women and children.

(13) Mechanisms must be identified to enable the full participation of communities and NGOs in the designing and implementation of National Environmental Action Plans, SAPs and other environmental or economic policies affecting the local level.

(14) National institutions should be created to ensure access of all interested parties to decision-making processes for design and implementation of strategies to combat desertification. These institutions should provide fora for debate on trade and structural adjustment issues, as well as on land tenure, indigenous knowledge, governance and other issues of relevance to combatting desertification. Without such institutions, e.g. officially mandated national desertification committees, expert input of research scientists, NGOs and grassroots communities will be lost.

(D) INTERNATIONAL TRADE AND INTERNATIONAL ECONOMIC ENVIRONMENT

(15) The promotion of global trade at current international market prices ignores the problem of the failure of the market to internalize costs arising from desertification in Africa and elsewhere. Under current rules, the GATT is not well equipped to deal with this issue -- it assumes that the benefits of trade are

greater than the environmental costs of trade liberalization and it denies countries the right to protect themselves from countries that choose not to protect their environment ("ecodumping"). New institutional mechanisms must be developed to address trade-related environmental effects, such as desertification. The Desertification Convention being negotiated represents an opportunity to develop and use such mechanisms.

(16) At the international level, trade and environmental policies should be harmonized as much as possible, to avoid conflict and build on complementarity. It is commonly agreed that trade measures should not be used, if possible, to enforce or harmonize environmental policies. Rather, harmonization of environmental standards and policies should be sought through direct specific environmental agreements and conventions. However, at present, there are some 17 international environmental agreements stipulating trade measures to enforce adherence. These agreements should be made compatible with the GATT. There is a need for institutional innovation in the GATT, itself, to address the problem of the environmental implications of the trade regime.

(17) The recent GATT agreement (December 1993) which was dominated by concerns among industrial countries does not give developing countries the assistance they need. Most projections indicate that Africa, in particular, will lose from anticipated freer trade, with negative environmental ramifications. Specifically, the GATT does not give African countries sufficient breathing space in coping with international competition. "Special and differentiated" treatment under the GATT gives developing countries up to 10 years before they will have to face the full impact of trade liberalization. This grace period should be extended considerably, to perhaps up to 30 years, with the precise extension depending on the specific development stage of each developing country.

(18) In order to successfully tackle desertification problems in Africa, international social and economic relations must be adjusted mutually (in the North and South). Unilateral adjustment on the part of the South will not suffice. The strategies African countries might choose to adopt are likely to include bilateral and other special arrangements. International trade must also be effectively regulated to ensure fair and balanced trade. The compensation principle (compensation of the losers by the winners) is rarely, if ever, implemented.

(19) There is a urgent need for effective fora to allow all relevant stake-holders from the North and South to exchange views, build consensus and influence global decision-making processes on trade, environment and development issues towards more equitable and sustainable patterns of world trade. The role of UN agencies, such as UNCTAD and UNEP, should be strengthened for this purpose.

(20) International trade liberalization and economic globalization have led to a situation where global forces and distant economic and financial decisions shape local land use decisions of relevance to desertification in Africa. Local farmers and herders have little, if any, control over export-oriented production decisions and find it difficult to make the necessary longer-term investments in land and resource conservation. There is an urgent need to assess, experiment with, and begin to institutionalize alternative trade systems that promote greater self-sufficiency, greater reliance on local markets for trade, more control over the exchange process, and the creation of enabling environments for community based producers to have access to markets on a fair basis. The merits of traditional economic systems in Africa should be combined with those of a global multilateral trading systems.

(21) Special measures to allow vulnerable peoples, especially indigenous and marginalized peoples, and their culture and livelihoods to survive during the transition to equitable and sustainable trade should be identified. Beyond that, all efforts should be made to create conditions so that these peoples can actively participate in the transition.

(22) Practices by developed countries of dumping subsidized primary commodities onto African markets and thus undermining the livelihoods of agricultural and livestock producers on the continent, should be discontinued. A well-known example is exports of subsidized beef by the European Union to West Africa. Ironically, the European Union has been providing development assistance to the very small-holder livestock sector in the West African region that has been undermined by its export practices. It is essential that trade policies and international development assistance patterns be harmonized.

(23) An appropriate international enabling environment for more sustainable resource use in Africa requires that world trade and international economic relations be adjusted to: ensure access by poorer developing countries to the richer industrial countries' markets; allow the poorer countries to develop and diversify their economies; permit appropriate (temporary) levels of protection of fledgling local industries that cannot yet compete at an international level; and be consistent with programs and objectives of international development assistance. It is also necessary to gradually reduce African foreign debt obligations. However, this process should be linked to progress in promoting national-level and regional enabling environments for the control and reversal of desertification, within and across African countries.

(E) REGIONAL INTEGRATION

(24) African countries have tended to trade more with the North than with neighbouring countries on the continent. It is essential to strengthen the African market and regional trade to exploit mutual gains, join forces, exercise greater control over international markets and confront common problems together. Regional integration within Africa should be strongly promoted, on economic and environmental grounds and for a number of other reasons.

(F) TOURISM

(25) Tourism has become an important source of foreign exchange in Africa. In some countries, viz. Kenya, tourism has replaced agriculture as the main foreign exchange earner. There is a need to assess the environmental costs of tourism. Likewise, it is important to examine the distribution of benefits from tourism, at national and international levels. Less of the tourism benefits should flow out of the African countries. And local communities displaced or otherwise affected by tourism ventures (such as national game parks or beach resort areas) should both benefit and be involved more. It is necessary to explore options of environmentally friendly ecotourism that is controlled and managed, as much as possible, by local communities and their institutions.

(G) INFORMATION

(26) For more sustainable and equitable land use, local communities need greater access to relevant market, price, trade and other economic and financial information. To this end, community-based organizations, such as farmers organizations, should be encouraged or strengthened. NGOs have an important role to play in providing outside support to grass-roots communities and their representative organizations.

(27) Local communities must be able to communicate with neighbouring communities for effective horizontal networking and organization, in general and around economic and trade questions in particular. Community-based information systems must be established to support local decision-making and social mobilization. Radio broadcasting is an important communication technology for the broader participation of local communities in natural resource management and conservation and related economic and trade mechanisms. The use of radio frequencies should be liberalized in countries where this is not yet the case. The state, local organizations, national NGOs, associations of communications scholars and practitioners should be involved in negotiations aimed at ensuring fair access to radio broadcasting services.

(H) LINKAGES TO OTHER CONVENTIONS

(28) The desertification process involves change in the mix of living organisms and hence is simultaneous a change in biodiversity. Drylands are also an important source of germ plasm for agricultural, pharmaceutical and other purposes. Desertification is therefore closely linked to loss of biodiversity in the drylands. Desertification also affects and is affected by climate change; dryland areas provide habitats to some of the endangered species; and linkages can be established to other areas governed by global conventions. Given the interrelationships, the Desertification Convention must be firmly linked to and coordinated with provisions of other conventions (Biodiversity, Climate Change, CITES, etc). This is recognized in the draft text of the Convention.

(29) The various conventions must be designed to build on each other, also with respect to the effects of trade and economic policy. On the other hand, as pointed out under recommendation #16, a number of international environmental agreements use trade measures to enforce compliance. Trade restrictions may even be one of the principal mechanism used to promote environmental protection, as in the case of CITES. Great care should be taken to harmonize the different environmental agreements (as well as economic and trade agreements), with particular attention to the interrelationships between trade and economic policies on the one hand and environmental protection on the other.

IV. Recommendations on Priority Research Areas and Issues

The list below highlights some major research areas and issues that workshop participants felt deserve attention. Many of the individual topics are interrelated or overlap to some extent; and the list is indicative, rather than exhaustive. It is also understood that many, if not most, topics will require multi-disciplinary approaches and research methodology.

- (i) International market externalities and trade regimes, and their implications for desertification in Africa (and elsewhere), under specific ecological, economic and social conditions.
- (ii) National market externalities, domestic micro- and macro-economic policies (including SAPs), and their effects on desertification, focussing on particular ecological, economic and social situations in Africa.
- (iii) Appropriate institutional arrangements and policy mechanisms, in particular appropriate economic policy instruments, for combatting desertification.
- (iv) Conflicts and complementarities between trade and environmental objectives, and ways to harmonize international trade and environmental agreements, with particular attention to the role of and impacts on Africa.
- (v) Ways to integrate economic, social and environmental policies, at national and international levels, to create an enabling environment for the equitable and sustainable use of natural resources in Africa's drylands.
- (vi) Methodologies and institutional mechanisms for proper valuation of natural resources, whereby the cost of natural resources to individuals reflects, as much as possible, the true cost to society.
- (vii) The environmental implications of agricultural commodity price instability and risks in Africa.
- (viii) The effects of increased exports of crop and livestock commodities on local land use in Africa.
- (ix) Opportunities and constraints for off-farm employment in arid and semi-arid areas of Africa.
- (x) How to build on and combine traditional and modern internal and international trade systems, to achieve more equitable and sustainable trade patterns.

(xi) The socio-institutional and cultural ramifications of the progressive commercialization of traditional African economies, and culturally appropriate ways to adapt to the cash economy and modern trade regimes.

(xii) Alternative approaches to structural adjustment in Africa that take environmental (and social) objectives into account.

(xiii) Mechanisms to strengthen regional African markets and achieve greater regional integration, in economic, social and environmental terms.

(xiv) Distributional and environmental effects of tourism, potential for ecotourism, and mechanisms to promote ecotourism.

(xv) Ways and means of liberalization of radio frequencies for community-based radio communication.

(xvi) Identification, testing, adaptation and use of appropriate indicators at local, national and international levels, including indicators on trade and SAPs, to monitor and evaluate progress toward more sustainable use of dryland resources in Africa.

V. Specific Recommendations for the Convention Process

Workshop participants made a number of recommendations specifically addressed to Convention negotiators and/or implementers. These included some recommendations on issues and language still for negotiation and possible inclusion in the Convention text, and other recommendations on the "what" and "how" of the implementation of the Convention.

(A) NEGOTIATION

(a) Several suggestions were made to introduce clearer or more appropriate language into the Convention text, specifically in sections relating to the role of economic factors and trade.

(b) An endorsement was given to Article 18 of the Convention (31 March 1994 version) on the transfer, acquisition, adaptation and access to environmentally appropriate technology.

(c) There were calls for the Convention to be flexible and open to review -- consideration should be given to building into the Convention a mechanism for regular review of terms and programmes. This could be linked to the review of other critical international agreements, including the GATT.

(B) IMPLEMENTATION

The following specific recommendations were made:

(i) Programming frameworks to implement the Convention at the National Level should be genuinely "home-grown", following a bottom-up process as suggested in the INCD methodology (as reflected in the African Annex, and the Regional and National Action Programmes proposed therein).

(ii) National consultative groups to prepare National Action Programmes to combat drought and desertification should include NGOs and representatives of local authorities and representative grass-roots institutions, as well as international donors and the government.

(iii) National Action Programmes should include an assessment of the impact of trade and SAPs on desertification.

(iv) Benchmarks and monitoring indices for the follow up and evaluation of National Action Programmes should also relate to trade, SAPs and economic policies.